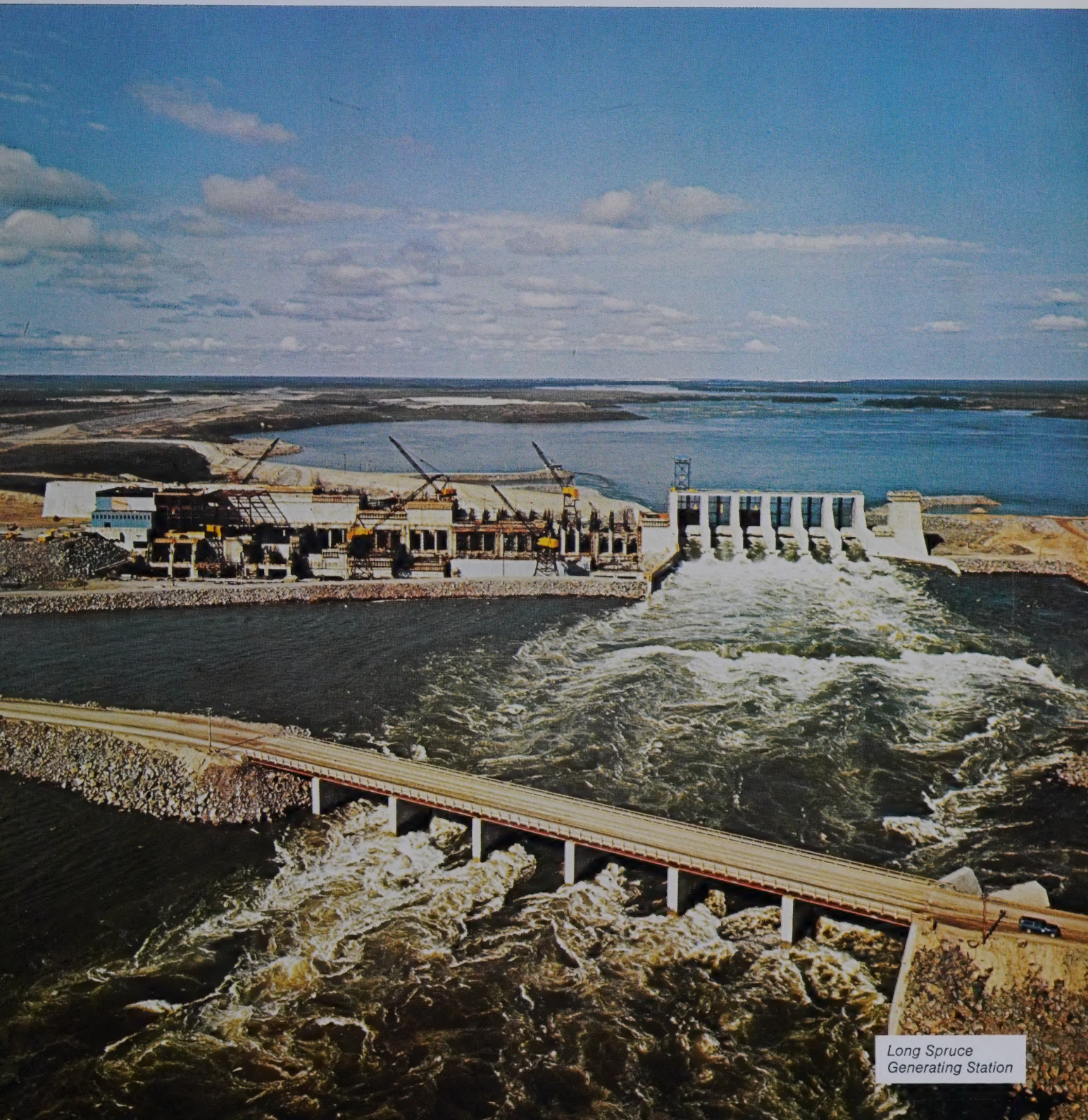




AR35

Pitts Engineering Construction Limited

1975  
ANNUAL  
REPORT



Long Spruce  
Generating Station



### Pitts at a Glance

Established 34 years ago, Pitts has been a public company since 1968.

Pitts is one of Canada's largest publicly owned civil engineering contractors. It specializes in large scale energy developments, multilane highways, subways, bridges, dams, tunnels and marine construction. The company's work area extends from coast to coast across Canada, including the far north and arctic regions.

Working mainly, although not exclusively, for governments at all levels, the company bids only on owner designed projects, with tenders based on plans and specifications supplied by the client. Most work is contracted on firm unit prices although some recent projects have been undertaken on a "cost plus incentive-fee" basis.

Where warranted by considerations of project size or location Pitts will enter into joint ventures. At year end the company was participating in six joint ventures.

Cliffside Pipelayers Limited and McDace Limited, two wholly-owned subsidiaries, are engaged in underground utility work including the construction

of gas and oil pipelines, hydro, telephone and cable television conduits, watermains, storm drains and sewers. They operate mainly within Metropolitan Toronto, southwestern and eastern Ontario.

Through its 31% equity interest in Standard Industries Limited, Pitts is significantly involved in the construction material and supply business. Standard is one of the largest companies in this field in Canada with annual sales of \$75 million.

### Cover

Long Spruce Constructors, a Pitts managed joint venture has completed 74% of this \$130 million contract for Manitoba Hydro on the Nelson River, 500 miles north of Winnipeg.

The cover picture was taken in August 1975 just after the first stage of the north dam was completed and the Nelson River was diverted through the spillway. The temporary bridge in the foreground provides equipment access to the north shore for the second construction stage of the earth dam which, when finished, will be raised to the same elevation as the concrete spillway. The powerhouse located to the left of the spillway will have ten generating units, each with a capacity of 100,000 kilowatts.

*Long Spruce Powerhouse*







# Pitts Engineering Construction Limited

and subsidiaries

## Directors

**WALLACE A. BARRIE**, *P.Eng.*  
**ALLAN L. BEATTIE**, *Q.C.*  
**EDWARD E. BEKHOR**, *M.B.A.*  
**WILLIAM C. COLE**, *P.Eng.*  
**SYDNEY C. COOPER**, *P.Eng.*  
**JAMES D. JARRELL**, *B.Comm.*  
**DONALD J. McDONALD**, *B.Comm.*  
**IRVING MORTON**

## Officers

**SYDNEY C. COOPER**, *P.Eng.*  
*President and Chief Executive Officer*  
**WILLIAM C. COLE**, *P.Eng.*  
*Senior Vice-President*  
**JAMES D. JARRELL**, *B.Comm.*  
*Senior Vice-President*  
**WALLACE A. BARRIE**, *P.Eng.*  
*Vice-President, Operations*  
**HOWARD A. BRADLEY**, *P.Eng.*  
*Vice-President and Chief Estimator*  
**HARJIT S. DHILLON**, *P.Eng.*  
*Vice-President*  
**A. R. DRUMMOND**, *P.Eng.*  
*Vice-President and Chief Engineer*  
**NORMAN A. HARRISON**, *C.G.A.*  
*Treasurer and Comptroller*  
**F. A. M. TREMAYNE**, *B.A., LL.B.*  
*Secretary*  
**IRVING MORTON**  
*President, Cliffside Pipelayers Limited*  
**R. F. C. MARRIOTT**, *P.Eng.*  
*President, McDace Limited*

## Registrars and Transfer Agents

**NATIONAL TRUST COMPANY, LIMITED**  
*Montreal, Toronto, Winnipeg, Calgary and Vancouver*  
**NOVA SCOTIA TRUST COMPANY**  
*Halifax, Nova Scotia*

## Auditors

**ERNST & ERNST**  
*Toronto, Ontario*

## Bankers

**THE ROYAL BANK OF CANADA**  
**THE BANK OF NOVA SCOTIA**

## General Counsel

**OSLER, HOSKIN & HARCOURT**  
*Toronto, Ontario*

## Exchange Listings

**THE TORONTO STOCK EXCHANGE**  
**MONTREAL STOCK EXCHANGE**

## Principal Offices

**PITTS, ONTARIO**  
*30 Commercial Road, Toronto*  
**PITTS, QUEBEC**  
*4480 Cote de Liesse Road, Montreal*  
**CLIFFSIDE**  
*3660 Midland Avenue, Toronto*  
**McDACE**  
*611 Clarke Road, London*

## The Pitts' Group of Engineering Construction Companies

Pitts Engineering Construction Limited  
C. A. Pitts General Contractor Limited  
Pitts Quebec Limited  
Pitts Engineering Construction Eastern Limited  
Drake Construction Co. Ltd.  
Cliffside Pipelayers Limited  
McDace Limited  
Huron Pipelines Limited  
Underwater Tel-Eye Ltd.  
Underwater Tel-Eye (Canada) Ltd.

## Annual Meeting

The Annual Meeting of the company will be held on Friday, April 23, 1976 at 3:00 p.m. in the Tudor Room of the Royal York Hotel, Toronto, Ontario. All shareholders and those interested are welcome to attend.





**Steel Company of Canada, Wharf facilities at Nanticoke, Ontario**

The \$11.3 million contract for Stelco's Lake Erie harbour development was started in the Spring of 1975 and is scheduled for completion in the Fall of 1976.

The wharf facility will permit discharge of coal and iron by the largest bulk carriers operating on the Great Lakes. The wharf extends into Lake Erie for 4,000 feet and consists of a 1,000 foot bridge, a 1,500 foot rock causeway and a series of nine concrete cribs forming the remaining 1,500 foot section.

Shown (top left) is an aerial view of the bridge, causeway and temporary harbour built to protect the marine fleet during storms and for the erection on land of the huge concrete cribs which were launched (top right) prior to positioning in the wharf.

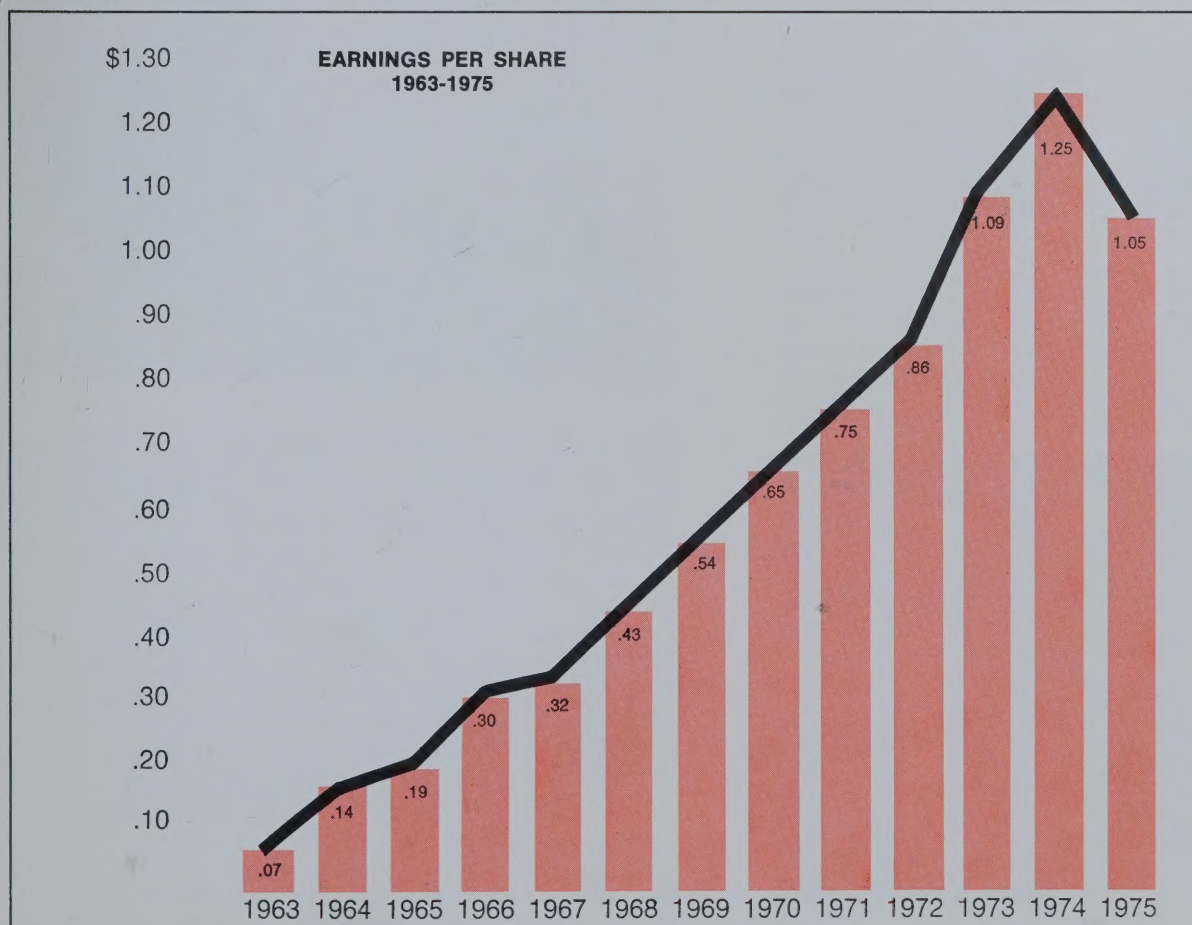


## Financial Highlights

	1975	1974	1973	1972	1971
Revenue	<b>\$87,332,120</b>	\$85,032,258	\$65,026,605	\$56,416,182	\$53,294,147
Depreciation	<b>2,670,714</b>	2,684,071	2,437,497	2,005,694	1,533,170
Provision for Taxes	<b>2,606,175</b>	3,882,023	4,048,499	3,335,510	3,123,594
Earnings before the following	<b>4,305,647</b>	5,117,922	4,458,014	3,472,064	3,000,558
Earnings per Share*	<b>1.05</b>	1.25	1.09	.86	.75
Extraordinary Items	<b>470,690</b>		355,372	295,993	
Earnings per Share*	<b>.12</b>		.09	.07	
Net Earnings	<b>4,776,337</b>	5,117,922	4,813,386	3,768,057	3,000,558
Working Capital	<b>9,086,640</b>	8,200,606	5,788,794	6,632,544	5,798,095
Dividends paid per Share*	<b>.30</b>	.30	.20	.15¼	.13
Market Price — T.S.E. & M.S.E.	<b>5—8¾</b>	5½—11¾	9—13	7⅞—11½	5⅜—7⅝

1971 Valuation Day Value \$7.065 per share

\*Adjusted for all stock splits







S. C. Cooper

## Report to Shareholders

### Financial

Consolidated revenue for the year ended December 31, 1975, Pitts' 34th year in business, was \$87,332,120 compared to \$85,032,258 a year earlier. Earnings before an extraordinary item were \$4,305,647 or \$1.05 per share against \$5,117,922 or \$1.25 per share for 1974. The extraordinary gain of \$470,690 brought 1975 total net earnings to \$4,776,337 or \$1.17 per share. There were no comparable extraordinary items in 1974.

Pitts' working capital increased in 1975 to a record amount of \$9,086,640 from \$8,200,606 a year earlier and capital expenditures were \$3,797,736 compared to \$3,500,893 in 1974.

Our eleven-year span of uninterrupted earnings growth was broken in 1975, as earnings fell 15% short of 1974 levels. Nevertheless it was the company's third best year on record. The decline in earnings was mainly due to inflation, which resulted in escalating material prices and higher labour costs on firm price contracts. It also reflects the difficulties encountered on two non-sponsored joint ventures in northern Manitoba, both of which are now substantially complete.



W. C. Cole and A. R. Drummond

### Year in Review

During 1975 Pitts completed 12 contracts the largest of which, \$24.6 million, was for the construction of aprons and taxiways at Montreal's Mirabel Airport. Also completed were major highway contracts in Ottawa, Toronto and Sudbury, three ferry docks at Kingston, Ontario (a year ahead of schedule), work at the Nanticoke, Ontario coal-fired electrical generating station and wall repairs on the Welland Canal system.

At year end, work in progress included major highway and bridge contracts in St. John's, Newfoundland, Saint John, New Brunswick and Sudbury, Ontario. Construction of the \$11.6 million wharf for Stelco's new steel production facility at Nanticoke on Lake Erie reached the half-way stage. Work on the \$130 million Long Spruce hydro-electric station in northern Manitoba was 74% complete and proceeding on schedule. In Quebec, near Baie Comeau, a \$21.4 million joint venture (Pitts 40%), for the tunneling work on the Outardes hydro-electric station is proceeding well and was 35% complete. Ontario Hydro's generating station near Arnprior, Ontario, is ahead of schedule and will be completed by the early fall of 1976.

Late in 1975 a joint venture in which Pitts has a 15% interest was awarded a contract for the first phase of the James Bay LG2 underground powerhouse. The contract is in excess of \$100 million and will be built on a "target cost plus adjustable fee" basis.



N. A. Harrison and J. D. Jarrell

During the year Cliffside Pipelayers Limited of Toronto, our underground utility construction subsidiary, enlarged its west Toronto depot by 8,000 square feet and upgraded its yard facilities. In addition a district office and yard were established at Barrie, Ontario, to serve the surrounding area. McDace Limited, a counterpart of Cliffside, located in London, Ontario, had a very active year laying more than 80 miles of small diameter distribution pipe and main line pipe up to 36" in an area stretching from Windsor to Cornwall, Ontario. Both companies entered 1976 with the largest backlog in their history.

Charges laid against the company and two of its officers in connection with certain dredging contracts are at the preliminary hearing stage. Management is confident that this matter will have no material effect on the company's performance or its earnings and that the company and its officers will be exonerated.





E. E. Bekhor, D. J. McDonald, A. L. Beattie, I. Morton

### Standard Industries Limited

In March 1975, Pitts increased its holdings in Standard Industries, a public company, by the acquisition of 281,000 shares, from 23% to 31% of the outstanding stock. The financial performance of Standard during 1975 has been most gratifying, considering the slow-down in the housing industry. Results for the twelve months ended December 31, 1975, show revenues of \$75 million compared to \$70 million for the same period of 1974. Earnings increased to \$1.58 per share compared to \$1.39 for the previous calendar year.

Standard is a major supplier of all types of building products and materials in southern Ontario. The company has nine aggregate plants, 11 asphalt mix plants, five concrete pipe and precast manhole plants and 29 ready-mix concrete plants. Paving and road building outlets are operating from two locations in Ontario and two in Nova Scotia.

Standard's recent diversification into the manufacture of slag cement and prestressed concrete pressure pipe, coupled with its large aggregate reserves, enhances its potential for continuing growth.

### Dividends

During the year under review Pitts paid a dividend of 30¢ on Class 'C' shares and a tax deferred dividend of 25½¢ on Class 'B' shares for a total of \$1,228,519, maintaining its unbroken payout record started in 1968. Dividends



H. A. Bradley and W. A. Barrie

received from Standard totalled \$508,383 as compared to \$333,525 in 1974.

### The Year Ahead

The outlook for engineering construction in 1976 is somewhat uncertain. The Government's Anti-Inflation Program could well reduce certain nonessential capital spending but there are many essential projects particularly in the field of energy that must proceed. By the end of the year the A.I.B. Wage and Price Guidelines should have a stabilizing effect on costs thus encouraging new construction starts. The Canadian economy may well be bottoming out at this time with recovery starting to take effect by the fourth quarter of 1976.

Your company is in a strong position to compete successfully for a fair share of the engineering construction business available in Canada. Pitts is well spread geographically, working in Manitoba, Ontario, Quebec, New Brunswick and Newfoundland. Its management team is strong, energetic and well seasoned. Our skills are diversified in all areas of heavy construction, land, marine and pipeline work. Pitts equipment pool is one of the largest in Canada.



F. A. M. Tremayne



H. S. Dhillon

There is much to be done in this great country of ours. Civil engineering projects related to energy and natural resource development, transportation and environmental work are all required and many on an urgent basis. Although realistic about the short term outlook we are confident that Pitts will successfully meet the challenge of 1976 and onward.

### Personnel

In April 1975, Alexander R. Drummond, P.Eng., a key employee of many years standing, was appointed vice president and chief engineer. Floyd Rankel, another long time and valued employee was transferred to head office as equipment manager.

The directors wish to express their appreciation of the loyalty and hard work demonstrated by all Pitts' employees.

On behalf of the board

S. C. Cooper, P.Eng.,  
President and Chief  
Executive Officer.

February 20, 1976





*The hydro electric generating station under construction for Ontario Hydro on the Madawaska River, Arnprior, Ontario. Pitts also has the contract for the nearby tailrace weir structure bringing the total value of work in this area to \$18.3 million. Both contracts are scheduled for completion in the fall of 1976.*



**Saint John, New Brunswick  
Arterial Road**

*In September 1975 Pitts was awarded a \$4.7 million contract for the Gilbert Street overpass including the Haymarket Square interchange. Work entails construction of a 1,200 foot bridge with piled footings, cast-in-place concrete columns, precast beams and concrete deck as well as an 800 foot ramp passing over the C.N.R. main line and the new Saint John Throughway. Completion is scheduled for late 1976.*





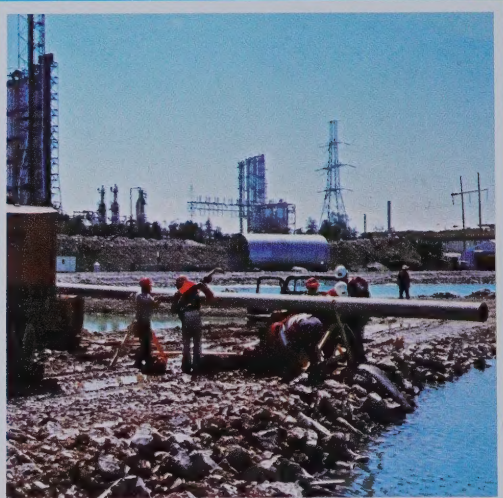
*McDace crews laying 16" looping gas line for TransCanada Pipelines Limited near Winchester, Ontario.*

*Replacement of 30" gas line for TransCanada Pipelines Limited north of Barrie, Ontario.*



*Cliffside crews installing underground hydro cables in the Glendale subdivision, Pickering, Ontario.*





Douglas Point



Ottawa

# 1975 JOB SITES

## LOCATION

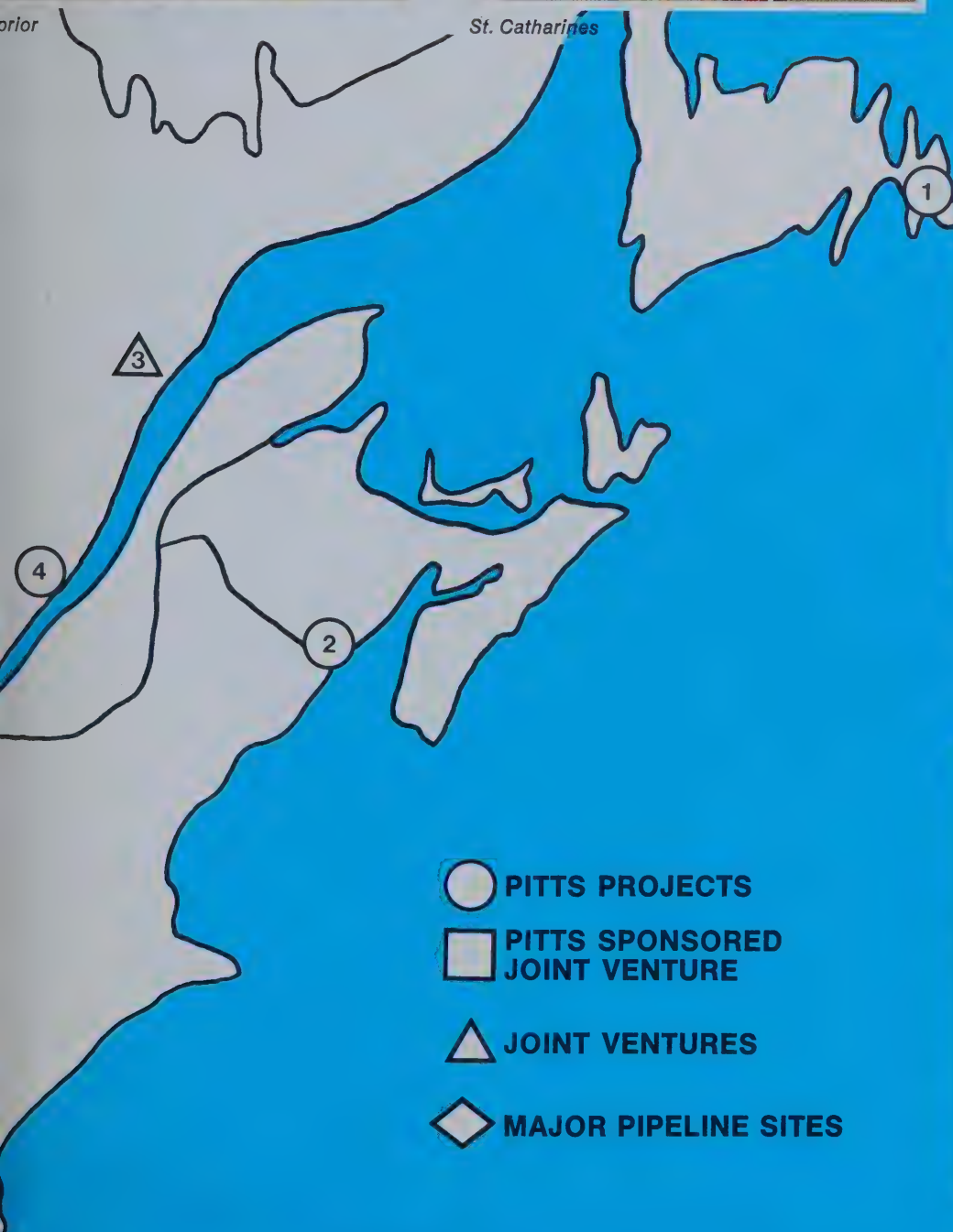
1. St. John's
2. Saint John
3. Baie Comeau
4. Quebec City
5. St. Scholastique
6. Arnprior
7. Arnprior
8. Ottawa
9. Kingston
10. Toronto
11. St. Catharines
12. Nanticoke
13. Barrie
14. Chatham
15. Sarnia
16. Douglas Point
17. Sudbury
18. Sudbury
19. Sudbury
20. Jenpeg
21. Leaf Rapids
22. Gillam

## DESCRIPTION

- harbour arterial road
- elevated throughway
- tunnels and penstocks
- rail car unloading wharf
- aprons and taxiways mirabel airport
- generating station
- bridge and tailrace
- control weir
- highway 417 and queensway interchange
- ferry docks
- highway-401 interchange
- lock 5 rehabilitation
- bridge, rock causeway and wharf
- 30" and 36" pipelines
- 8" and 10" gas lines
- product pipelines
- intake pipelines and discharge channel
- la salle boulevard extension
- new levack road
- c.n.r. realignment
- generating station
- diversion channel
- long spruce generating station







St. Catharines

Toronto

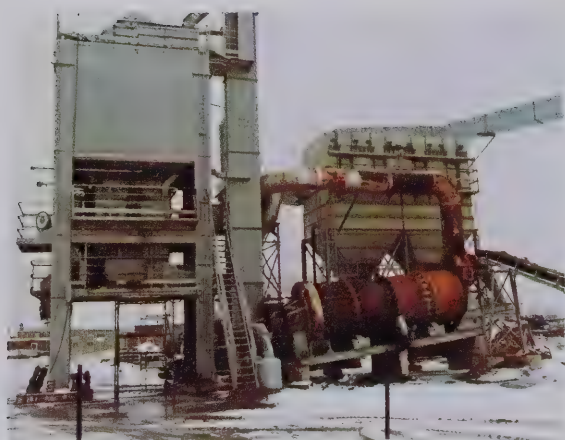


Sudbury



Kingston





Asphalt plants; major plants are located in Toronto, Hamilton, North Bay, St. Catharines, Ontario and Halifax, Nova Scotia.



Sand and gravel aggregate plant, Pickering, Ontario. Others are located in Paris, (2), Guelph, Mono Mills, Stouffville, Durham, North Bay and London.



Concrete pipe plant in Mississauga, Ontario. Others are located in Ottawa and London.



Ready mixed concrete is marketed from eight locations in the Toronto area by McCord and Company and 21 other Ontario locations by the Red-D-Mix Concrete Company.





**Pitts Engineering Construction Limited**  
and subsidiaries

**Statement of Consolidated Earnings**

	YEAR ENDED DECEMBER 31	
	1975	1974
Contract revenue	\$87,332,120	\$85,032,258
Contract costs	75,488,772	71,023,633
	11,843,348	14,008,625
Equity in net earnings of associate company — Note 1	1,481,029	994,707
Expenses:		
Depreciation of buildings and equipment	2,670,714	2,684,071
Administrative	3,244,562	2,940,354
Interest on long term debt	458,263	326,564
Interest and other	39,016	52,398
	6,412,555	6,003,387
EARNINGS BEFORE THE FOLLOWING	6,911,822	8,999,945
Income taxes — Note 1		
Current	2,454,690	3,192,700
Deferred	151,485	689,323
	2,606,175	3,882,023
EARNINGS BEFORE EXTRAORDINARY ITEM	4,305,647	5,117,922
Per share	1.05	1.25
Gain on sale of property	470,690	
Per share	.12	
NET EARNINGS	\$ 4,776,337	\$ 5,117,922
Per share	1.17	1.25



Director



## Liabilities

		DECEMBER 31	
		1975	1974
CURRENT LIABILITIES			
Bank loans			\$ 2,650,000
Accounts payable		<b>\$ 7,700,255</b>	8,553,679
Deferred contract revenue — Note 1		<b>1,613,929</b>	866,260
Income taxes — Note 1 — current		<b>1,151,472</b>	442,882
— deferred from contracts		<b>6,910,218</b>	6,188,541
Current portion of long term debt		<b>1,180,000</b>	700,000
TOTAL CURRENT LIABILITIES		<b>18,555,874</b>	19,401,362
LONG TERM DEBT — less current portion — Note 4		<b>3,320,000</b>	2,100,000
DEFERRED INCOME TAXES — Note 1		<b>3,342,418</b>	3,190,933
SHAREHOLDERS' EQUITY			
SHARE CAPITAL — Notes 5 and 6			
Class B shares — outstanding	1,964,080	<b>908,793</b>	897,135
Class C shares — outstanding	2,134,520	<b>987,657</b>	959,275
	4,098,600	<b>1,896,450</b>	1,856,410
RETAINED EARNINGS		<b>23,163,312</b>	19,603,978
TOTAL SHAREHOLDERS' EQUITY		<b>25,059,762</b>	21,460,388
		<b>\$50,278,054</b>	<b>\$46,152,683</b>

## Auditors' Report

### To the Shareholders

#### Pitts Engineering Construction Limited

We have examined the consolidated balance sheet of Pitts Engineering Construction Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our opinion expressed herein insofar as it relates to the amount of earnings derived from the associate company is based solely on the report of other auditors.

In our opinion, based on our examination and the report of other auditors, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario.  
February 13, 1976.

*Ernst & Ernst.*  
Chartered Accountants





# Pitts Engineering Construction Limited

and subsidiaries

## Statement of Consolidated Retained Earnings

	YEAR ENDED DECEMBER 31	
	1975	1974
Retained earnings at the beginning of the year — as previously reported	<b>\$19,969,286</b>	\$16,223,806
Excess of cost of net assets of subsidiaries — Note 7	<b>365,308</b>	365,308
Retained earnings at the beginning of the year — as restated	<b>19,603,978</b>	15,858,498
Net earnings for the year	<b>4,776,337</b>	5,117,922
	<b>24,380,315</b>	20,976,420
Deductions:		
Dividends paid:		
Class B shares (including taxes)	<b>592,089</b>	596,382
Class C shares	<b>636,430</b>	628,447
Payments due on purchase of subsidiary	<b>(11,516)</b>	147,613
	<b>1,217,003</b>	1,372,442
RETAINED EARNINGS AT END OF THE YEAR	<b>\$23,163,312</b>	\$19,603,978

## Statement of Changes in Consolidated Financial Position

	YEAR ENDED DECEMBER 31	
	1975	1974
SOURCE OF FUNDS		
Net earnings for the year	<b>\$ 4,776,337</b>	\$ 5,117,922
Provision for depreciation	<b>2,670,714</b>	2,684,071
	<b>7,447,051</b>	7,801,993
Sale of property, plant and equipment	<b>601,851</b>	606,496
Decrease in mortgage receivable	<b>261,974</b>	2,083
Increase (decrease) in long term debt	<b>1,220,000</b>	(700,000)
Increase in deferred income tax	<b>151,485</b>	292,805
Increase in share capital	<b>40,040</b>	
	<b>9,722,401</b>	8,003,377
APPLICATION OF FUNDS		
Cash dividends	<b>\$ 1,228,519</b>	\$ 1,224,829
Purchase of property, plant and equipment	<b>3,797,736</b>	3,500,893
Investment in associate company	<b>3,821,628</b>	718,230
Payments due on purchase of subsidiary	<b>(11,516)</b>	147,613
Increase in working capital	<b>886,034</b>	2,411,812
	<b>\$ 9,722,401</b>	\$ 8,003,377



## Notes to Consolidated Financial Statements

### Note 1 Summary of Significant Accounting Policies

#### Investment in Joint Ventures

This is the amount of capital advances net of drawings adjusted by the companies' share of project revenues less costs to date.

#### Basis of Accounting for Earnings

Earnings from contracts are recorded on the basis of percentage complete. Under this method the percentage of the estimated final earnings are calculated in relation to the progress of the project. All losses are recorded when known and claims are included as earnings only when received.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for repairs and maintenance are charged to operations as incurred.

Depreciation is provided on the straight-line method over the useful lives of the assets which are estimated to be:

Buildings	20 years
Construction equipment	6-8 years
Licensed equipment	4 years
Office equipment	10 years
Marine equipment	15 years

Prior to 1975, two subsidiaries, Cliffside Pipelayers Limited and McDace Limited, provided depreciation on the declining balance method and this method will continue to be used until those assets are fully depreciated.

#### Investment in Associate Company

This investment is carried at cost plus excess of earnings over dividends received from the date of acquisition. Earnings pertaining to this investment are accounted for on an equity basis. See Note 2(b).

#### Comparative Information

Certain 1974 accounts have been reclassified to conform to 1975. See Note 7.

#### Income Taxes

Corporation taxes have been provided on the earnings shown in the financial statements. Taxable earnings are determined on a different basis and give rise to both income tax deferred from contracts and deferred income tax. The former represents timing differences between statement and taxable earnings, whereas the latter

arises from capital cost allowance claimed for tax purposes in amounts differing from depreciation provided for accounting purposes.

### Note 2 Principles of Consolidation

(a) The following wholly-owned subsidiary companies, being all the subsidiaries of the company, have been consolidated:

C. A. Pitts General Contractor Limited  
Pitts Quebec Limited  
Pitts Engineering Construction Eastern Limited  
Drake Construction Co. Ltd.  
Cliffside Pipelayers Limited  
McDace Limited  
Huron Pipelines Limited  
Underwater Tel-Eye Ltd.  
Underwater Tel-Eye (Canada) Ltd.

(b) Associate Company: the company through a subsidiary holds 31.39% of the equity shares of Standard Industries Limited. The after tax carrying cost of the term loans and company funds invested was \$378,463 (1974, \$306,209). Therefore, the net contribution to the company of these equity shares amounted to 27¢ per share, (1974, 17¢ per share).

### Note 3 Property, Plant and Equipment

	December 31	
	1975	1974
Land	\$ 543,400	\$ 520,734
Buildings	1,645,136	1,446,707
Marine and Construction Equipment	24,715,248	22,520,799
	<u>\$26,903,784</u>	<u>\$24,488,240</u>

Amounts stated for equipment do not include the companies' share of equipment owned by joint ventures.

### Note 4 Term Bank Loans

The company arranged the following five year term loans, with interest at 1% above the Canadian prime bank rate to assist in the purchase of Standard Industries Limited shares.

September, 1973	\$3,500,000
March, 1975	2,400,000

Both loans are repayable in equal annual installments, commencing in September, 1974 and March, 1976 respectively.





## Pitts Engineering Construction Limited

and subsidiaries

### Note 5 Share Capital

	December 31	
	1975	1974
Class A — \$50 Par Value Redeemable Preference		
Authorized	300,000	300,000
Class B — No Par Value Convertible share for share into Class C		
Authorized	1,964,180	1,977,130
Outstanding	1,964,080	1,977,030
Class C — No Par Value Convertible share for share into Class B		
Authorized	7,035,920	7,022,970
Outstanding	2,134,520	2,113,970
Common — No Par Value		
Authorized	100	100

The Class B and Class C shares rank equally in all respects except that Class B shares bear dividends on a tax-paid basis and Class C shares bear dividends in the normal manner.

### Note 6 Employee Stock Options on Class C Shares

	December 31	
	1975	1974
Options Outstanding	58,400	60,400
Options Granted	6,000	
	64,400	60,400
Options Cancelled	2,100	2,000
Options Exercised	7,600	
Options Outstanding	54,700	58,400
The proceeds of options exercised increased share capital by	\$40,040	

### Note 7 Retained Earnings

The excess cost of net assets of subsidiaries arose on the purchase of certain subsidiaries during the period 1964 to 1973. Since some of these subsidiaries ceased operations in previous years and have been sold or previously liquidated and the balance pertaining to operations of continuing subsidiaries was insignificant in amount, by action of the board of directors the entire amount of \$365,308 has been charged to retained earnings as a retroactive adjustment.

### Note 8 Remuneration of Directors and Senior Officers

	December 31	
	1975	1974
Total remuneration of directors and senior officers	\$ 469,569	\$ 439,334

### Note 9 Contingent Liabilities

In March, 1975, Pitts Engineering Construction Limited and two of its officers together with eleven other companies and twelve individuals were charged with conspiring to defraud the Government of Canada and the Government of the Province of Ontario in connection with certain dredging contracts. The preliminary hearing is scheduled to reconvene in March, 1976 and the liability of the company, if any, cannot be determined at this time. Counsel for the company has advised that, on the basis of information now available to them which at this stage is principally limited to company sources, in their opinion the company and its officers have good defences to these charges.

In addition the company has been named as a co-defendant in a counter claim issued by Her Majesty in Right of Canada to recover damages and costs with regard to one of the charges referred to above. It is the belief of counsel for the company that this civil action will not be proceeded with until the aforementioned charges have been dealt with. Counsel for the company has also advised that, on the basis of the limited information now available to them, in their opinion the company has a good defence to these claims. However, they have also advised that if there is liability it is not possible at this time to estimate the amount thereof.

### Note 10 Anti-inflation Act

The company is subject to legal enforcement of the Act, consequently there are restrictions on the payment of dividends for the year ended October 13, 1976.





*Pitts' new repair shops, Leaside, Ontario*

**Montreal's new International Mirabel Airport.** In August, 1975, Pitts Quebec Limited completed a \$24.6 million contract for the construction of aprons and taxiways at Canada's newest airport.







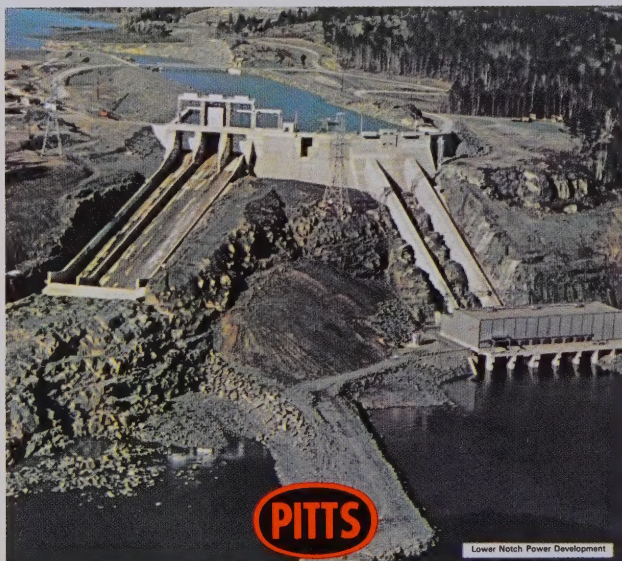
PITTS

1969



PITTS

1970



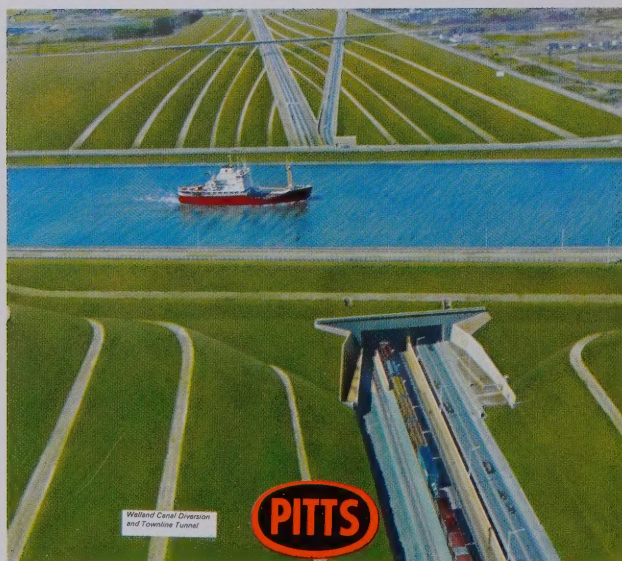
PITTS

1971



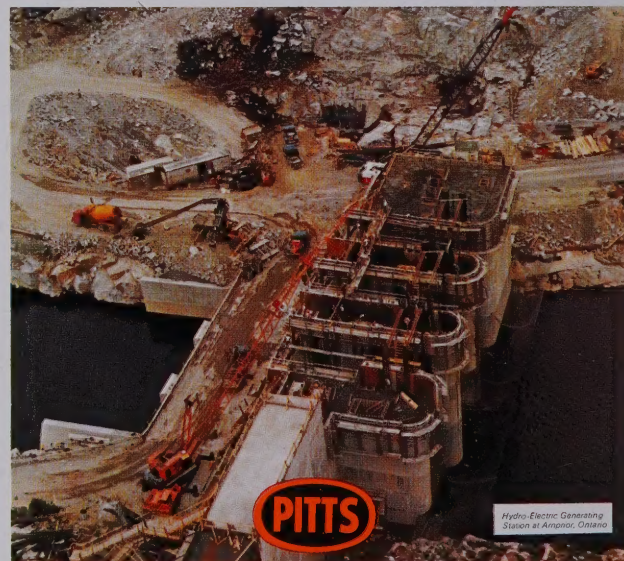
PITTS

1972



PITTS

1973



PITTS

1974